

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Ogemaw County Public Transit</b>	County <b>Ogemaw</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>12/15/06</b>	Date Accountant Report Submitted to State: <b>1/31/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson &amp; Decker, P.C.</b>			
Street Address <b>P.O. Box 746</b>	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2006.01.31 17:04:07 -05'00'	City <b>Roscommon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48653</b>	
		Date <b>1/31/06</b>	

**OGEMAW COUNTY PUBLIC TRANSIT**

**AUDIT REPORT**

**SEPTEMBER 30, 2005**

# OGEMAW COUNTY PUBLIC TRANSIT

## TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report . . . . .	1-2
Management's Discussion and Analysis . . . . .	3-6
Statement of Net Assets . . . . .	7
Statement of Revenues, Expenses, and Changes in Net Assets . . . . .	8
Statement of Cash Flows . . . . .	9-10
Notes to Financial Statements . . . . .	11-15
Supplemental Information:	
Schedule 1 - Operating Revenues . . . . .	16
Schedule 1A- Schedule of Special Transit Fares . . . . .	16
Schedule 2 - Operating Expenses . . . . .	17
Schedule 3 - Non-Operating Revenues . . . . .	18
Schedule 4 - Schedule of Contributed Equity . . . . .	19
Schedule 5 - Capital Contracts . . . . .	20
Schedule 6 - Expenses by Contract and General Operations . . . . .	21
Schedule 7 - Net Eligible Costs Computations of General Operations . . . . .	22
Schedule 8 - Detail of Ineligible Expenses and Revenues . . . . .	23
Auditor's Disclaimer Regarding Schedules 9 and 10 . . . . .	24
Schedules 9 and 10 - Mileage Data, Vehicle Hours and Passengers . . . . .	25-26
Compliance Reports:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards . . . . .	27-28



# Anderson & Decker, P.C.

## **CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

### **INDEPENDENT AUDITORS' REPORT**

December 15, 2005

Board of Commissioners  
Ogemaw County  
West Branch, Michigan 48661

We have audited the accompanying financial statements of the Ogemaw County Public Transit, an Enterprise Fund of Ogemaw County, as of and for the year ended September 30, 2005, as listed in the table of contents. These statements are the responsibility of the Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of The United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

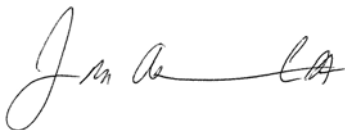
As discussed in Note A, the financial statements present only the Ogemaw County Public Transit and do not purport to, and do not, present fairly the financial position of Ogemaw County, Michigan, as of September 30, 2005, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ogemaw County Public Transit, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 2005, on our consideration of the Ogemaw County Public Transit's internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Ogemaw County Public Transit, an Enterprise Fund of Ogemaw County, basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Ogemaw County Public Transit. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

OGEMAW COUNTY PUBLIC TRANSIT  
MANAGEMENTS'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005

***Using this Annual Report***

Our discussion and analysis of the Ogemaw County Public Transit's financial performance provides an overview of the Transit's financial activities for the fiscal year ended September 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Transit and present a longer-term view of the Transit's finances.

***Overview of the Financial Statements***

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Transit:

- . The first two statements are financial statements that provide both long-term and short-term information about the Transit's overall financial status. These statements report information about the Transit, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Transit's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities—this is one way to measure the Transit's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Transit as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

***Reporting the Public Transit as a Whole***

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and change in Net Assets report information about the Transit, as a whole, and about its activities in a way that helps answer the question of whether the transit, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transit's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received and paid.

OGEMAW COUNTY PUBLIC TRANSIT  
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2005

The two statements, mentioned above, report the Transit's net assets and how they have changed. The reader can think of the Transit's net assets (the difference between assets and liabilities) as one way to measure the Transit's financial health or financial position. Over time, increases or decreases in the Transit's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Transit you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Transit's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

***Financial Analysis of the Public Transit as Whole***

The Transit's net assets decreased approximately 15%, or \$92,479, from \$623,968 to \$531,489 for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position declined in 2005. The contributed Equity and Investment in Capital Assets had a net decline of \$50,578 while the unrestricted net assets declined by \$41,901. This is primarily due to the current year depreciation of \$76,296 with new capital purchases of only \$25,718 and additional declines in state and federal operating subsidies of \$11,443.

The net assets as of the year ended September 30, 2005, are as follows:

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 331,159	\$ 286,235	\$ (44,924)	(13.57)
Capital Assets	<u>334,382</u>	<u>283,804</u>	<u>(50,578)</u>	<u>(15.13)</u>
Total Assets	<u>665,541</u>	<u>570,039</u>	<u>(95,502)</u>	<u>(14.35)</u>
Current Liabilities	29,758	27,288	(2,470)	(8.30)
Noncurrent Liabilities	<u>11,815</u>	<u>11,262</u>	<u>(553)</u>	<u>(4.68)</u>
Total Liabilities	<u>41,573</u>	<u>38,550</u>	<u>(3,023)</u>	<u>(7.27)</u>
Net Assets				
Contributed equity	221,055	178,439	(42,616)	(19.28)
Invested in Capital Assets	113,327	105,365	(7,962)	(7.03)
Unrestricted	<u>289,586</u>	<u>247,685</u>	<u>(41,901)</u>	<u>(14.47)</u>
Total Net Assets	<u>\$ 623,968</u>	<u>\$ 531,489</u>	<u>\$ (92,479)</u>	<u>(14.82)</u>

OGEMAW COUNTY PUBLIC TRANSIT  
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2005

Changes in Net Assets

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 70,809	\$ 82,115	\$ 11,306	15.97
Nonoperating Revenue				
Taxes Levied for Transit	112,496	118,620	6,124	5.44
State of Michigan Operating Grants	195,811	172,858	(22,953)	(11.72)
Federal Operating Grants	41,461	52,971	11,510	27.76
Capital Grants	18,878	13,786	(5,092)	(26.97)
Rent and Other Income	16,008	22,956	6,948	43.40
Interest	2,448	5,439	2,991	122.18
Loss on Sale of Fixed Assets	<u>3,313</u>	<u>-0-</u>	<u>(3,313)</u>	<u>(100.00)</u>
Total Revenue	<u>461,224</u>	<u>468,745</u>	<u>7,521</u>	<u>1.63</u>
Operating Expense				
Salaries and Wages	220,992	230,984	9,992	4.52
Fringe Benefits	125,457	124,160	(1,297)	(1.03)
Depreciation	82,620	76,296	(6,324)	(7.65)
Other	<u>143,422</u>	<u>129,784</u>	<u>(13,638)</u>	<u>(9.51)</u>
Total Operating Expense	<u>572,491</u>	<u>561,224</u>	<u>(11,267)</u>	<u>(1.97)</u>
Income (Loss)	(111,267)	(92,479)	18,788	16.89
Beginning Net Assets	<u>735,235</u>	<u>623,968</u>	<u>(111,267)</u>	<u>(15.13)</u>
Ending Net Assets	<u>\$ 623,968</u>	<u>\$ 531,489</u>	<u>\$ (92,479)</u>	<u>(14.82)</u>



OGEMAW COUNTY PUBLIC TRANSIT  
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2005

***Capital Asset and Debt Administration***

At September 30, 2005, the Transit had \$283,804 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$50,569 or 15.12% as follows:

	<u>2004</u>	<u>2005</u>	<u>Total Percentage Change 2004-2005</u>
Capital Assets Not Being Depreciated			
Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	418,393	418,393	0.00
Vehicles	520,362	542,294	4.21
Equipment	<u>147,617</u>	<u>151,403</u>	<u>2.56</u>
Subtotal	<u>1,086,372</u>	<u>1,112,090</u>	<u>2.37</u>
Total Capital Assets	<u>1,086,372</u>	<u>1,112,090</u>	<u>2.37</u>
Total Accumulated Depreciation	<u>751,999</u>	<u>828,286</u>	<u>10.14</u>
Total Net Capital Assets	<u>\$ 334,373</u>	<u>\$ 283,804</u>	<u>(15.12)</u>

Please refer to the notes of the financial statements for more detailed information.

***Economic Factors and Next Year's Budget***

Ogemaw County Public Transit had a moderate increase in revenues, with a minimal decrease in expenses. The Transit had increases in fuel costs and labor which was offset by the reduction in the cost allocation from the County. Although the Transit showed a loss of \$92,479 in 2005, the net income (loss) is \$18,788 higher than 2004.

Ogemaw County Public Transit has developed a cost allocation plan for "Maintenance Services" we provide to county vehicles. The allocation plan will be adjusted annually and the hourly cost for maintenance service will be adjusted to reflect the increase of operations.

Ogemaw County Public Transit anticipates there will be further changes due to the reduction in *State Operation Assistance* revenue. With the reduction in revenue and increased expenses, Ogemaw County Public Transit foresees the possibility of our fare structure being increased.

Shirley Buck, Director  
Ogemaw County Public Transit

OGEMAW COUNTY PUBLIC TRANSIT  
ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

ASSETS

Current

Cash and investments	\$ 175,334
Accounts receivable	5,045
Due from other funds	5,521
Due from State	79,699
Prepaid expense	<u>20,636</u>

Total Current Assets 286,235

Property and Equipment, less accumulated depreciation	<u>283,804</u>
---	----------------

Total Assets 570,039

LIABILITIES

Current Liabilities

Accounts payable	9,057
Accrued payroll	8,132
Due to other funds	<u>10,099</u>

Total Current Liabilities 27,288

Noncurrent Liabilities

Accrued compensated absences	<u>11,262</u>
------------------------------	---------------

Total Liabilities 38,550

NET ASSETS

Contributed capital	178,439
Invested in Capital Assets, net of related debt	105,365
Unrestricted	<u>247,685</u>

Total Net Assets \$ 531,489

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT  
ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2005

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 69,262
Vehicle maintenance	<u>12,853</u>
Total operating revenues	<u>82,115</u>
Operating Expenses	
Salaries and wages	230,984
Fringe benefits	124,160
Materials and supplies	64,069
Services	29,522
Utilities	11,627
Casualty and liability insurance	22,446
Miscellaneous	2,120
Depreciation	<u>76,296</u>
Total operating expenses	<u>561,224</u>
Operating income (loss)	<u>(479,109)</u>
Non-operating Revenues (expenses)	
Property taxes	118,620
Federal	52,971
State	172,858
State and Federal capital grants	13,786
Rent and other income	22,956
Interest/investment income	<u>5,439</u>
Total non-operating revenues	<u>386,630</u>
Change in Net Assets	(92,479)
Net Assets - October 1, 2004	<u>623,968</u>
Net Assets - September 30, 2005	<u><u>\$ 531,489</u></u>

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR YEAR ENDED SEPTEMBER 30, 2005

Cash flows from operating activities	
Cash receipts from operations	\$ 84,210
Cash payments for supplies and services	(131,854)
Cash payments for employee services and fringes	<u>(353,813)</u>
Net cash provided (used) by operating activities	<u>(401,457)</u>
Cash flows from noncapital financing activities	
Property taxes	118,620
Federal operating grants	52,971
State operating grants	153,241
Rent and other income	<u>22,956</u>
Net cash provided (used) by noncapital financing activities	<u>347,788</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	13,786
Purchase of fixed assets	<u>(25,718)</u>
Net cash provided (used) by capital and related financing activities	<u>(11,932)</u>
Cash flows from investing activities	
Investment income	<u>5,439</u>
Net cash provided (used) by investing activities	<u>5,439</u>
Net increase (decrease) in cash and cash equivalents	(60,162)
Cash and Cash Equivalents - October 1, 2004	<u>235,496</u>
Cash and Cash Equivalents - September 30, 2005	<u><u>\$ 175,334</u></u>

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND (CONTINUED)  
FOR YEAR ENDED SEPTEMBER 30, 2005

Reconciliation of operating income  
to net cash provided by operating activities:

Operating income (loss) \$ (479,109)

Adjustments to reconcile operating income  
to net cash provided by operating activities:

Depreciation	76,296
Decrease (increase) in accounts receivable	2,095
Decrease (increase) in prepaid expenses	2,284
Increase (decrease) in accounts payable	(3,801)
Increase (decrease) in accrued liabilities	<u>778</u>

Total adjustments 77,652

Net cash provided (used) by operating activities \$ (401,457)

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Ogemaw County Public Transit is an enterprise fund of Ogemaw County. It provides transportation services to the residents of the County.

The Public Transit is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. This financial report has been prepared to meet this state requirement.

In compliance with GASB Statement 14, these financial statements are included in the County's (oversight unit) Basic Financial Statements as an Enterprise Fund.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ogemaw County Public Transit conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Ogemaw County Public Transit. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories of replacement parts are not maintained and fuel is expensed when purchased. Office supplies are not included in inventories.

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Ogemaw County's Trust and Agency Fund. The Transit subsequently receives its portion of the levy from this fund.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2005

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. Depreciation expense for the year ended September 30, 2005 was \$76,296.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY & EQUIPMENT

	Balance 10/01/04	Additions	Deductions	Balance 9/30/05
Building	\$ 418,393	\$ -0-	\$ -0-	\$ 418,393
Vehicles	520,362	21,932	-0-	542,294
Equipment	79,824	-0-	-0-	79,824
Office Equipment	67,793	3,786	-0-	71,579
	<u>\$ 1,086,372</u>	<u>\$ 25,718</u>	<u>\$ -0-</u>	1,112,090
Less Accumulated Depreciation	<u>\$ 751,999</u>	<u>\$ 76,296</u>	<u>\$ -0-</u>	828,286
Net Property and Equipment				<u>\$ 283,804</u>

Depreciation expense for fiscal year ending September 30, 2005 was \$76,296.

NOTE E - PENSION PLAN

Several public transit employees participate in the overall general Ogemaw County retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

Ogemaw County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2005

NOTE E - PENSION PLAN (CONTINUED)

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with Ogemaw County's competitive bargaining unit and personnel policy, which requires employees to contribute 5.5 percent of their wages to the plan. Ogemaw County is required to contribute at an actuarially determined rate; the current rate was 11.49 percent at December 31, 2004.

Annual Pension Cost

During the fiscal year ended December 31, 2004. Ogemaw County's contributions totaling \$450,771 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
\$ 2002	\$ 387,127	100%	\$ -0-
2003	423,203	100%	-0-
2004	450,771	100%	-0-



OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2005

NOTE E - PENSION PLAN (CONTINUED)

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2002	\$12,665,815	\$14,620,919	\$1,955,104	87%	\$3,772,005	52%
2003	13,800,314	15,640,835	1,840,521	88%	3,745,159	49%
2004	14,902,855	16,354,496	1,451,641	91%	3,493,795	42%

NOTE F - COMPENSATED ABSENCES

The compensated absences balance represent benefits in which transit employees possess a vested right to receive, upon termination or retirement from employment, in accordance with formulas established in negotiated contracts. Currently, all full time employees may accrue up to 96 hours of unused sick time. There are no provisions for accruing vacation time passed each full time employee's anniversary date.

NOTE G - CASH

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amounts</u>
Cash and investments	\$ 175,334	Petty Cash	\$ 100
		Imprest Cash	2,815
		Savings and Checking Accounts	1,000
		Investments	<u>171,419</u>
	<u>\$ 175,334</u>		<u>\$ 175,334</u>

Deposits - At the fiscal year ended September 30, 2005, the carrying amount of the Transit's deposits was \$3,815. This consisted of \$1,000 in a depository account and \$2,815 in an imprest checking account. The net bank balance was \$7,879. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

Investments - The Transit's investment consisted of a Shearson Lehman Cadre Trust Account held by the County Treasurer, which is made up of U.S. Treasury, Agencies, and Instrumentalities, Commercial Paper, Banker's Acceptances and Repurchase Agreements which were not in the name of the Transit.

OGEMAW COUNTY PUBLIC TRANSIT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2005

NOTE H - STATE GRANTS

The Transit has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Public Transit is now eligible to receive have not been disbursed to them as the projects have not been completed. As of September 30, 2005, \$58,514 is still available to the Transit under those grants.

NOTE I - RISK MANAGEMENT

The Ogemaw County Public Transit is exposed to various risks of losses related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Public Transit has the following commercial insurance coverages:

Type	Limit
Building & Liability	\$ 425,000
Contents	375,000
Vehicles	500,000
Workers Compensation	100,000

There are no open claims with the insurance carrier and there were no claims paid during the fiscal year ended September 30, 2005.

NOTE J - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$42,616.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2005 \$13,786 of State/Federal Capital Grants were recorded as revenue.

Contributed Capital balances as of September 30, 2001 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

## **SUPPLEMENTAL SCHEDULES**

**SCHEDULE 1**

OGEMAW COUNTY PUBLIC TRANSIT  
OPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2005

## Operating Revenues

Demand-response (farebox)	\$ 28,475
Special Transit Fares	40,787
Vehicle	<u>12,853</u>
Total Operating Revenue	<u><u>\$ 82,115</u></u>

**SCHEDULE 1A**

SCHEDULE OF SPECIAL TRANSIT FARES  
YEAR ENDED SEPTEMBER 30, 2005

Family Independence Agency	\$ 128
Ausable Valley	2,108
NBMSCA (Head start)	20,136
Region 7-B	2,037
Bortz Health Care	1,070
Glen's Market - Senior Citizens	1,837
I.D.T.P.	10,400
Other	<u>3,071</u>
Total Special Transit Fares	<u><u>\$ 40,787</u></u>

OGEMAW COUNTY PUBLIC TRANSIT  
OPERATING EXPENSES  
YEAR ENDED SEPTEMBER 30, 2005

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 142,177	\$ 33,647	\$ 32,104	\$ 207,928
Dispatcher's salaries and wages	23,056	-0-	-0-	23,056
Fringe Benefits	85,555	19,728	18,877	124,160
Services				
Advertising	-0-	-0-	94	94
Other Services	20,406	5,793	3,229	29,428
Materials and Supplies Consumed				
Fuel and lubricants	43,156	-0-	-0-	43,156
Tires and tubes	2,959	-0-	-0-	2,959
Other materials and supplies	822	14,068	3,064	17,954
Utilities	5,223	-0-	6,404	11,627
Casualty and Liability Costs	20,124	-0-	2,322	22,446
Miscellaneous Expenses				
Other	2,120	-0-	-0-	2,120
Depreciation & Amortization	<u>74,191</u>	<u>806</u>	<u>1,299</u>	<u>76,296</u>
Total Expenses	<u>\$ 419,789</u>	<u>\$ 74,042</u>	<u>\$ 67,393</u>	<u>\$ 561,224</u>

**SCHEDULE 3**

OGEMAW COUNTY PUBLIC TRANSIT  
NONOPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2005

Local Operating Grants	
Tax Levy	<u>\$ 118,620</u>
Subtotal	<u>118,620</u>
State of Michigan Operating Grants	
Formula Operating Assistance	<u>172,858</u>
Subtotal State of Michigan Operating Grants	<u>172,858</u>
Federal Operating Grants	
U.S. DOT Operating Grant - Section 5311	<u>52,971</u>
Subtotal Federal Operating Grants	<u>52,971</u>
State of Michigan Capital Grants	<u>13,786</u>
Interest Income	<u>5,439</u>
Rent and Other Income	<u>22,956</u>
Total Nonoperating Revenues	<u><u>\$ 386,630</u></u>

**SCHEDULE 4**

OGEMAW COUNTY PUBLIC TRANSIT  
SCHEDULE OF CONTRIBUTED EQUITY  
YEAR ENDED SEPTEMBER 30, 2005

	<u>State</u>	<u>Federal</u>	<u>Totals</u>
Balance, October 1, 2004	\$ 49,303	\$ 171,752	\$ 221,055
Deduct			
Depreciation of assets purchased from con- tributed equity	<u>4,842</u>	<u>37,774</u>	<u>42,616</u>
Balance, September 30, 2005	<u>\$ 44,461</u>	<u>\$ 133,978</u>	<u>\$ 178,439</u>

OGEMAW COUNTY PUBLIC TRANSIT  
CAPITAL CONTRACTS  
YEAR ENDED SEPTEMBER 30, 2005

Grantor: Michigan Department of Transportation

	<u>Grant Award or Carry Over</u>	<u>Earned</u>	<u>Amount Remaining</u>
#01-0076	\$ 4,000	\$ 3,786	\$ 514
#02-0076/Z8	10,000	10,000	-0-
#02-0076/Z7	<u>58,000</u>	<u>-0-</u>	<u>58,000</u>
Totals	<u>\$ 72,000</u>	<u>\$ 13,786</u>	<u>\$ 58,514</u>



OGEMAW COUNTY PUBLIC TRANSIT  
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2005

	<u>Operations</u>	<u>Totals</u>
Labor	\$ 230,984	\$ 230,984
Fringe benefits	124,160	124,160
Services	29,522	29,522
Materials and supplies	64,069	64,069
Utilities	11,627	11,627
Casualty & liability costs	22,446	22,446
Miscellaneous	2,120	2,120
Depreciation and amortization	<u>76,296</u>	<u>76,296</u>
Total	561,224	561,224
Less: Ineligible Expenses	<u>114,314</u>	<u>114,314</u>
Total Eligible Expenses	<u><u>\$ 446,910</u></u>	<u><u>\$ 446,910</u></u>

**SCHEDULE 7**

OGEMAW COUNTY PUBLIC TRANSIT  
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2005

	2002-0076/Z9 Federal <u>Section 5311</u>	State Operating <u>Assistance</u>
Expenses		
Labor	\$ 230,984	\$ 230,984
Fringe benefits	124,160	124,160
Service	29,522	29,522
Materials & supplies	64,069	64,069
Utilities	11,627	11,627
Casualty & liability costs	22,446	22,446
Miscellaneous	2,120	2,120
Depreciation	<u>76,296</u>	<u>76,296</u>
Total Expense	561,224	561,224
Less Ineligible Expenses		
Rent income	22,728	22,728
Depreciation (less eligible)	75,705	75,705
Audit cost	2,800	-0-
Outside maintenance	<u>13,081</u>	<u>13,081</u>
Total Ineligible Expenses	<u>114,314</u>	<u>111,514</u>
Net Eligible Expenses	<u>\$ 446,910</u>	<u>\$ 449,710</u>
Maximum Section 5311 Reimbursement (12.40%) Not to exceed \$52,971	<u>\$ 52,971</u>	
State Operating Assistance		<u>\$ 172,858</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is to be computed at 38.437574823% of the current eligible expenses.

OGEMAW COUNTY PUBLIC TRANSIT  
DETAIL OF INELIGIBLE EXPENSES AND REVENUES  
SEPTEMBER 30, 2005

Rent

The Transit received \$22,728 in rent for the year ended September 30, 2005. The rental income has been deducted as ineligible.

Depreciation

Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4.

Audit cost

Any transit agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual CPA audit cost as an ineligible expense under Section 5311.



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

December 15, 2005

Board Of Commissioners  
Ogemaw County  
West Branch, Michigan 48661

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2005, follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

OGEMAW COUNTY PUBLIC TRANSIT  
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)  
SEPTEMBER 30, 2005

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>	<u>Regular Passengers</u>	<u>Senior Passengers</u>
DEMAND RESPONSE				
1st Quarter	42,529	2,444	9,374	1,704
2nd Quarter	46,672	2,490	9,359	1,895
3rd Quarter	52,461	2,563	9,035	1,812
4th Quarter	<u>49,179</u>	<u>2,476</u>	<u>4,360</u>	<u>1,856</u>
TOTAL OPERATIONS	<u><u>190,841</u></u>	<u><u>9,973</u></u>	<u><u>32,128</u></u>	<u><u>7,267</u></u>

See Auditors' Disclaimer on Preceding Page.

<u>Handicapper Passengers</u>	<u>Senior Handicapper Passengers</u>
1,681	1,020
1,963	1,052
1,869	1,077
<u>1,783</u>	<u>1,130</u>
<u><u>7,296</u></u>	<u><u>4,279</u></u>



# Anderson & Decker, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 15, 2005

Board of Commissioners  
Ogemaw County  
West Branch, MI 48661

Dear Board:

We have audited the financial statements of the Ogemaw County Public Transit for the year ended September 30, 2005, and issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

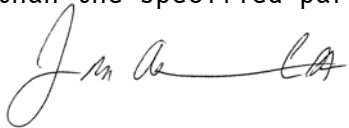
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Public Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ogemaw County Public Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and the Board of Commissioners, and is intended to be, and should not be used by anyone other than the specified parties.

A handwritten signature in dark ink, appearing to read "J. Anderson", is written over the printed name.

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS